



Canada Border
Services Agency

Agence des services
frontaliers du Canada

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OTTAWA, February 5, 2013

STATEMENT OF REASONS

Concerning the initiation of investigations into the dumping of

**CERTAIN GALVANIZED STEEL WIRE
ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA,
THE STATE OF ISRAEL AND THE KINGDOM OF SPAIN**

and the subsidizing of

**CERTAIN GALVANIZED STEEL WIRE ORIGINATING IN OR EXPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA**

DECISION

Pursuant to subsection 31(1) of the *Special Import Measures Act*, the President of the Canada Border Services Agency initiated investigations on January 21, 2013, respecting the alleged injurious dumping of certain galvanized steel wire originating in or exported from the People's Republic of China, the State of Israel, and the Kingdom of Spain and the alleged injurious subsidizing of certain galvanized steel wire originating in or exported from the People's Republic of China.

Cet énoncé des motifs est également disponible en français.
This Statement of Reasons is also available in French.

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SUMMARY

[1] On November 30, 2012, the Canada Border Services Agency (CBSA) received a written complaint from Tree Island Steel Ltd. (Tree Island) of Richmond, British Columbia (the complainant) alleging that imports of certain galvanized steel wire originating in or exported from the People's Republic of China (China), the State of Israel (Israel), and the Kingdom of Spain (Spain) are being dumped and that imports of certain galvanized steel wire originating in or exported from China are being subsidized. The complainant alleges that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing these goods.

[2] On December 21, 2012, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. The CBSA also notified the governments of China, Israel and Spain that a properly documented complaint had been received and provided the Government of China (GOC) with the non-confidential version of the subsidy complaint. The GOC was invited for consultations prior to the initiation of the investigations, pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures*, however, no such consultations took place.

[3] The complainant provided evidence to support the allegations that certain galvanized steel wire from China, Israel and Spain has been dumped and that certain galvanized steel wire from China has been subsidized. The evidence also discloses a reasonable indication that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing these goods.

[4] On January 21, 2013, pursuant to subsection 31(1) of SIMA, the President of the CBSA (President) initiated investigations respecting the dumping of certain galvanized steel wire from China, Israel and Spain and the subsidizing of certain galvanized steel wire from China.

INTERESTED PARTIES

Complainant

[5] The complainant is a large Canadian producer of galvanized steel wire (GSW), accounting for a major proportion of the production of like goods in Canada.¹ The complainant's goods are produced at a manufacturing facility in Richmond, British Columbia.

[6] The name and address of the complainant is:

Tree Island Steel Ltd.
3933 Boundary Road
Richmond, B.C.
V6V 1T8

¹ Refer to the definition of like goods in the Like Goods section below

[7] Tree Island was founded in 1964. It produces a range of steel wire and steel wire products. Tree Island's principal product is galvanized steel wire, though plain steel wire is also produced. In addition, Tree Island further employs galvanized steel wire to produce fencing, barb wire, wire mesh and nail products.

[8] The other manufacturers of galvanized steel wire in Canada are:

ArcelorMittal Dofasco Inc.
5900 rue Saint-Patrick
Montréal, Quebec
H4E 1B3

Davis Wire Ltd.
960 Dervent Way
New Westminster, B.C.
V3M 5R1

Bekaert Canada Ltd.
11041 Elevator Road
Surrey, B.C.
V3V 2R8

Sivaco Wire Group
800 rue Ouellette
Marieville, Quebec
J3M 1P5

Exporters

[9] The CBSA has identified 130 potential exporters of the subject goods from CBSA import documentation and from information submitted in the complaint.²

Importers

[10] The CBSA has identified 151 potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint.

Government of China

[11] For the purpose of these investigations, "Government of China" refers to all levels of government, i.e. federal, central, provincial/state, regional, municipal, city, township, village, local, legislative, administrative or judicial, singular, collective, elected or appointed. It also includes any person, agency, enterprise, or institution acting for, on behalf of, or under the authority of, or under the authority of any law passed by, the government of that country or that provincial, state or municipal or other local or regional government.

² Refer to the definition of subject good in the Product Information section below

PRODUCT INFORMATION

Definition

[12] For the purpose of these investigations, subject goods are defined as:

cold-drawn carbon or alloy steel wire, of solid cross section with an actual diameter of 1.082 mm (0.0426 inch) to 12.5 mm (0.492 inch), plated or coated with zinc or zinc alloy, whether or not coated with plastic, excluding flat wire, originating in or exported from the People's Republic of China, the State of Israel, and the Kingdom of Spain.

Additional Product Information

[13] GSW can be round, flat or shaped and is typically sold in coils. It is plated or coated with zinc or zinc alloy, whether by hot-dipping or electroplating. The definition of subject goods covers most GSW, but does not extend to flat wire. Flat wire is a more expensive specialty product with two flat sides and is produced on a separate rolling mill or by drawing the wire a second time through a special set of dies.

[14] The subject goods include all galvanized coatings. In North America, galvanizing standards are reflected in ASTM A641.³ There are similar standards that may be applicable in other jurisdictions. ASTM A641 provides for minimum mass of zinc per unit of area to qualify under particular classes. The amount of zinc varies with the wire diameter. In addition, zinc coated wire produced as "regular coating" (also known as commercial grade) does not have a specified minimum weight of coating, and tends to range from 50 g/m² (0.17 oz/ft²) and less. Commercial grades are not covered by ASTM A641.

[15] GSW is available in a wide range of gauges (diameters), carbon levels, tensile strengths and coating thicknesses. GSW may be sold for use as baling wire, vineyard wire, or for production into a wide range of products including fencing, fasteners, and construction products. For certain applications, GSW may be further coated with polyvinyl chloride plastic (PVC).

[16] Products with higher carbon content have increased hardness and are accordingly more difficult to draw. These products tend to be in the higher range of GSW prices because of the more demanding engineering specifications. The wire must be drawn more slowly resulting in a higher energy cost per tonne and generates higher wear and tear on equipment such as dies. That being said, there is a wide range of pricing for higher carbon wire as well. Major markets for high carbon GSW are the pulp baling market and certain waste baling applications.

[17] The gauge or thickness of the wire is also an important determinant of cost. The thinner the wire, the more the product must be drawn, and the higher the relative cost by weight. Similarly, zinc coating can vary. The thicker the coating, measured in ounces per square foot or grams per square meter, the more expensive the product is to produce.

³ American Society for Testing and Materials (ASTM)

[18] There is a wide range of terminology used to describe thickness of the wire. Diameter is most accurately expressed in millimetres or in inches; but the industry commonly refers to the gauge of a wire. Although American Steel & Wire (AS&W) wire gauges are most commonly used⁴, other gauge measurement may differ; some with different size ranges, and others that do not incorporate fractional sizes⁵. In addition, there are permitted tolerances for each gauge size or fractional size.

Production Process

[19] The production process begins with steel wire rod with the necessary chemical properties as an input. The wire rod is first de-scaled to remove ferrous oxide. This process can be accomplished by performing a chemical de-scaling by “pickling” the wire rod in an acid bath. This process can also be accomplished through mechanical means using methods such as reverse bending, wire brushing, belt polishing or sanding, shaving or shot blasting. Once de-scaled, the wire rod is coated with a lubricant and then drawn successively through a series of dies until it reaches the desired thickness.

[20] Depending upon the end use of the wire, it may require heat treatment. Heat treatment removes residual stresses and improves ductility in the wire that has been cold-work hardened in the drawing process. One way to achieve this is to use an inline annealing process where the wire is drawn through a bath of molten lead. Other methods of heat treatment include a fluidized bed (pulled through sand or other medium heated by gas) and induction heating (passing electric current through wire).

[21] Wire is then galvanized either through a hot-dip process or by using an electro-galvanizing process (or “electroplating”). Before galvanizing, the drawn wire is degreased, and again passed through an acid bath before a water rinse and immersion in a flux bath to prevent oxidization of the wire before application of the zinc. In the hot-dip process, the wire is then passed through molten zinc. A chemical reaction between the zinc and wire creates layers of zinc iron alloy on the surface of the wire, with the external layer being entirely zinc.

[22] The molten zinc generally includes a small quantity of molten lead, usually one percent or less. Some common zinc alloy coatings include higher lead levels, aluminum (generally five percent content) or brass.

[23] After hot-dip galvanizing, the wire is passed through a scrubber to ensure uniformity of the zinc coating. This can be achieved by employing both pad wipe and nitrogen wipe methods. Pad wipes are used for lighter coatings, while nitrogen wipes (use of forced nitrogen air) are employed for products with thicker zinc coatings. Other processes used as a scrubber include pulling the wire through inert gas gravel, or the use of a magnetic wipe. The wire is then sprayed with water to cool.

⁴ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 7

⁵ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 9

[24] In electroplating, the wire is passed through a chemical solution in which zinc has been dissolved. The wire is electrically charged, and zinc adheres to it to form a zinc coating. The slower the wire is passed through the bath, the thicker the zinc coating. For certain applications, GSW may be further coated with PVC. PVC is available in a variety of different colours of which green, brown and white are most common.

[25] Once finished, GSW may be wound onto a reel or wire stand, or packaged for shipment in coils with a range of sizes, from 50 kg up to 2 tonnes. Users of GSW can put the packaging directly on their production lines.

Classification of Imports

[26] The subject goods are usually classified under the following Customs Tariff Harmonized System (HS) classification numbers:

7217.20.00.11	7217.20.00.21	7217.20.00.31	7217.90.00.10
7217.20.00.12	7217.20.00.22	7217.20.00.32	7217.90.00.90
7217.20.00.19	7217.20.00.29	7217.20.00.39	

[27] Note that flat wire, which is not subject to these investigations, can be properly classified under the “other” categories which some of the above mentioned HS classification numbers pertain to. Other products, outside of the diameter range provided by the product definition, may also be properly classified under these HS classification numbers.

[28] Prior to January 1, 2012, the allegedly dumped and subsidized goods were normally classified under the following HS classification numbers:

7217.20.20.11	7217.20.90.11	7217.20.90.31	7217.90.90.19
7217.20.20.19	7217.20.90.12	7217.20.90.32	7217.90.90.21
7217.20.20.21	7217.20.90.19	7217.20.90.39	7217.90.90.22
7217.20.20.29	7217.20.90.21	7217.90.10.10	7217.90.90.29
7217.20.20.31	7217.20.90.22	7217.90.10.90	
7217.20.20.39	7217.20.90.29	7217.90.90.11	

[29] The tariff classification numbers prior to January 1, 2012 are shown as these were the numbers in effect in the period covered by the complaint (i.e. 2009 to 2012).

[30] The listing of HS classification numbers is for convenience of reference only. Refer to the product definition for authoritative details regarding the subject goods.

LIKE GOODS

[31] Subsection 2(1) of SIMA defines “like goods” in relation to any other goods, as goods that are identical in all respects to the other goods, or in the absence of identical goods, goods the uses and other characteristics of which closely resemble those of the other goods.

[32] GSW produced by the domestic industry competes directly with, has the same end uses as, and can be substituted for, the subject goods. Therefore, the CBSA has concluded that the GSW produced by the Canadian industry constitutes like goods to the subject goods.

[33] After considering questions of use, physical characteristics and all other relevant factors, the CBSA is of the opinion that subject and like goods constitute only one class of goods.

THE CANADIAN INDUSTRY

[34] As previously stated, the complainant accounts for a major proportion of known domestic production of like goods.

[35] Subsection 31(2) of SIMA requires that the following conditions for standing be met in order to initiate an investigation:

- the complaint is supported by domestic producers whose production represents more than fifty per cent of the total production of like goods by those domestic producers who express either support for or opposition to the complaint; and
- the production of the domestic producers who support the complaint represents twenty-five per cent or more of the total production of like goods by the domestic industry.

[36] One Canadian producer, Bekaert Canada Ltd., has chosen to remain neutral.⁶ All other Canadian producers have provided confirmation to the CBSA stating that they support the complaint.⁷ Based on an analysis of information provided in the complaint, as well as the information gathered by the CBSA, the CBSA is satisfied that the standing requirements of subsection 31(2) of SIMA have been met by the complainant.

CANADIAN MARKET

[37] The complainant, using Statistics Canada information, estimated the total volume of imports of subject goods originating from all countries for 2009 to 2011, by using the total quantity of imports classified under both subheadings 7217.20 and 7217.90, after excluding imports specifically classified as flat wire.⁸

⁶ Dumping Exhibit 16 (NC) – Letter Explaining Bekaert’s Position

⁷ Dumping Exhibits 17 (NC), 18 (NC) and 2 (NC) – Appendix 6

⁸ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 13

[38] On January 1, 2012, the Customs Tariff was revised and the classification numbers specific to flat wire were eliminated. In order to make a deduction for imports of flat wire for 2012, the complainant made an analysis of the ratio of flat wire compared to total wire imports prior to 2012 for subject goods and GSW from other countries. The estimated volume of imports of flat wire was then deducted from the total volume of imports for 2012.

[39] The CBSA conducted its own analysis of imports of goods based on actual import data from CBSA documentation.

[40] A review of CBSA import data demonstrated similar trends and volumes with respect to imports of subject goods compared to information provided by the complainant.

[41] Detailed information regarding the volume of imports of subject goods and domestic production cannot be divulged for confidentiality reasons. The CBSA, however, has prepared the following table to show the estimated import share of subject goods in Canada.

CBSA Estimates of Import Share
(by volume)

Country	2009	2010	2011	Jan to Sept 2012	Oct 2011 to Sept 2012
China	23.6%	19.2%	25.5%	27.3%	29.5%
Israel	8.0%	9.5%	3.4%	4.2%	4.1%
Spain	1.1%	4.3%	3.9%	9.0%	7.5%
All Other Countries	67.3%	67.0%	67.2%	59.5%	58.9%
Total Imports	100.0%	100.0%	100.0%	100.0%	100.0%

EVIDENCE OF DUMPING

[42] The complainant alleged that subject goods from China, Israel and Spain have been injuriously dumped into Canada. Dumping occurs when the normal value of the goods exceeds the export price to importers in Canada.

[43] The complainant provided information to support the allegation that the wire rod sector, which includes GSW, in China may not be operating under competitive market conditions and as such, normal values should be determined under section 20 of SIMA. This included reference to the CBSA's previous section 20 determinations concerning certain sectors of the steel industry in China.

[44] Normal values are generally based on the domestic selling price of like goods in the country of export where competitive market conditions exist or on the full cost of the goods plus a reasonable amount for profits.

[45] If there is sufficient reason to believe that conditions described in section 20 of SIMA exist in the sector under investigation, normal values will be determined, where such information is available, on the basis of the domestic selling price or full cost plus a reasonable amount for profits of the like goods sold by producers in any country designated by the President and adjusted for price comparability; or on the basis of the selling price in Canada of like goods imported from any country designated by the President and adjusted for price comparability.

[46] The export price of goods sold to importers in Canada is generally the lesser of the exporter's selling price and the importer's purchase price, less all costs, charges, and expenses resulting from the exportation of the goods.

[47] Estimates of normal value and export price by both the complainant and the CBSA are discussed below.

Normal Value

[48] The complainant indicated that it does not have access to the domestic selling prices of GSW in China, Israel and Spain. As such, it was unable to estimate normal values using the methodology of section 15 of SIMA.

[49] As a result, the complainant estimated normal values for the subject goods using the methodology set out in paragraph 19(b) of SIMA. Under this methodology normal values are determined as the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and other costs, and a reasonable amount for profits.

[50] Using its own costs of production as a starting point, the complainant made certain adjustments to take into account differences in labour costs, overhead and general, selling and administrative expenses in those markets.

[51] Due to the large number of products within the subject goods definition, the complainant selected a range of representative high-volume models to act as benchmarks. Normal values were constructed for these benchmark models.

[52] The complainant provided information supporting the initiation of a section 20 inquiry respecting the allegedly dumped goods from China. As a result, the complainant estimated normal values for China under the methodology of section 20 using Brazil as a surrogate country. The complainant submits that Brazil is an appropriate surrogate country to be used for the calculation of normal values due to their growing economy and well-developed steel industry, which is comparable to the situation in China.

[53] The complainant's labour cost was adjusted to reflect the lower labour rate in the three countries using the rates reported to the International Labour Organization (ILO) by those countries. The reduction in labour rate by country was 87% for China, 34% for Israel and 17% for Spain. A reduction in labour rate of 79% was also made for Brazil using the same ILO information. Overhead and general, selling and administrative expenses were also adjusted in the same manner by adjusting the labour component of those costs.

[54] With respect to the amount for profits for China, the complainant used two different amounts, one for normal values based on Chinese costs and one for normal values based on costs from a surrogate country under section 20. For normal values based on Chinese costs, the complainant used a publicly available profit amount of 11.13% from Baosteel Group Corporation, a major Chinese steel producer. The Baosteel Group owns Baosteel Metal Co. Ltd., a Chinese producer of subject goods. For section 20 normal values, the complainant selected a publicly available profit amount of 11.30% from Gerdau S.A.'s consolidated financial statements. The complainant also used the profit amount of 11.30% from Gerdau S.A. for Israel and Spain.

[55] The CBSA found the complainant's normal value estimates to be reasonable and representative. The labour rate adjustments and the amount for profits added to the cost of goods estimate were also found to be reasonable. The CBSA also found that the selected benchmark products were representative of the subject goods.

[56] The CBSA therefore used the complainant's estimated normal values using the cost-based methodology set out in paragraph 19(b) of SIMA for Israel and Spain. With respect to China, the CBSA used a cost-based methodology using Brazil as the surrogate country as set out in section 20 of SIMA. The CBSA used Brazil as a surrogate country as it found the complainant's selection of Brazil due to their growing economy and well-developed steel industry to be reasonable for purposes of initiation. Brazil is also both a producer and an exporter to Canada of GSW.

Export Price

[57] The export price of goods sold to an importer in Canada is generally determined in accordance with section 24 of SIMA as being an amount equal to the lesser of the exporter's sale price for the goods and the price at which the importer has purchased or agreed to purchase the goods adjusting by deducting all costs, charges, expenses, and duties and taxes resulting from the exportation of the goods.

[58] The complainant estimated export prices using commercial intelligence for Israel and Spain. An adjustment for ocean freight was made. No adjustments for insurance or other shipping-related costs were made. For China, the complainant estimated export prices based on its own purchases of subject goods.

[59] In its own estimation of export price, the CBSA relied on actual import data from commercial and customs documentation. Due to the large volume of GSW products imported into Canada, customs information pertaining to a sample of imports in the period January 1, 2011 to September 30, 2012 was examined. Actual import data was retrieved and refined through a review of CBSA customs entries and consequently, the information used by the CBSA for its estimate is more comprehensive than what was available to the complainant.

Estimated Margins of Dumping

[60] The CBSA estimated margins of dumping by comparing the estimated normal values with the estimated export prices of the corresponding export models where matches for benchmark products could be made. A weighted average margin of dumping was then calculated based on those models. Where matches could not be found, margins of dumping found for matched models were used as a reasonable estimate. Combined, these provided a reasonable estimate of the weighted average margin of dumping of all subject goods from China, Israel and Spain for the period under review.

[61] Based on this analysis, it is estimated that the subject goods from China, Israel and Spain were dumped. The overall weighted average margins of dumping estimated for each named country are shown in the table below.

CBSA Estimates of Margins of Dumping
(expressed as a percentage of export price)

Country	Margin of Dumping
China	28.2%
Israel	43.1%
Spain	49.4%

MARGIN OF DUMPING AND VOLUME OF DUMPED GOODS

[62] Under section 35 of SIMA, if, at any time before the President makes a preliminary determination the President is satisfied that the margin of dumping of the goods of a country is insignificant or the actual and potential volume of dumped goods of a country is negligible, the President must terminate the investigation with respect to that country.

[63] Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% of the export price is defined as insignificant and a volume of dumped goods is considered negligible if it accounts for less than 3% of the total volume of goods that are released into Canada from all countries that are of the same description as the dumped goods.

[64] On the basis of the estimated margins of dumping and the estimated volume of dumped imports for the period of October 1, 2011 to September 30, 2012, summarized in the following table, the estimated margins of dumping and the estimated volumes of dumped goods are greater than the thresholds outlined above.

Estimated Margin of Dumping and Volume of Dumped Goods
(October 1, 2011 to September 30, 2012)

Country	Estimated Share of Total Imports by Volume	Estimated Dumped Goods as % of Total Imports by Volume	Estimated Margin of Dumping as % Export Price
China	29.5%	29.5%	28.2%
Israel	4.1%	4.1%	43.1%
Spain	7.5%	7.5%	49.4%
All Other Countries	58.9%	-	-
Total Imports	100.0%	-	-

SECTION 20 INQUIRY

[65] Section 20 is a provision of SIMA that may be applied to determine the normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. In the case of a prescribed country under paragraph 20(1)(a) of SIMA, it is applied where, in the opinion of the President, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.⁹

[66] The complainant alleged that the conditions described in section 20 prevail in the wire rod sector, which includes GSW, in China. That is, the complainant alleges that this industry sector in China does not operate under competitive market conditions and consequently, prices established in the Chinese domestic market for GSW are not reliable for determining normal values.

[67] The complainant provided a variety of evidence supporting its claim that the GOC substantially determines domestic prices of wire rod and GSW, such as evidence of export controls and state-ownership. The complainant also cited specific GOC policies such as the National Steel Policy and China's Five-Year Plan.

[68] The information currently available to the CBSA indicates that there are numerous GOC industrial policies that have been implemented which influence the wire rod sector, which includes GSW, in China. In previous section 20 inquiries, the GOC's National Steel Policy and the 2009 Steel Revitalization/Rescue Plan have been found to strongly influence the decisions of steel enterprises in China.

⁹ China is a prescribed country under Section 17.1 of the *Special Import Measures Regulations*

[69] With respect to the wire rod sector, which includes GSW, the CBSA has information which demonstrates that the prices of wire rod may be significantly affected by the GOC's policies and as a result, prices of GSW in China may not be substantially the same as they would be if they were determined in a competitive market.

[70] Consequently, on January 21, 2013, the CBSA initiated a section 20 inquiry based on the information available in order to determine whether the conditions set forth in paragraph 20(1)(a) of SIMA prevail in the wire rod sector, which includes GSW, in China. A section 20 inquiry refers to the process whereby the CBSA collects information from various sources so that the President may, on the basis of this information, form an opinion regarding the presence of the conditions described under section 20 of SIMA, in the sector under investigation.

[71] As part of this section 20 inquiry, the CBSA sent section 20 questionnaires to wire rod producers and producers and exporters of GSW in China, as well as to the GOC requesting detailed information related to the wire rod sector, which includes GSW, in China.

[72] Stemming from this inquiry, the CBSA requested that producers in other countries (specifically Brazil, Chinese Taipei, India, Mexico and South Africa) provide domestic pricing and costing information concerning GSW.

[73] In the event that the President forms the opinion that domestic prices of GSW in China are substantially determined by the GOC and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be if they were determined in a competitive market, the normal values of the goods under investigation will be determined, where such information is available, on the basis of the domestic selling price or full cost plus a reasonable amount for profits of the like goods sold by producers in any country designated by the President and adjusted for price comparability; or on the basis of the selling price in Canada of like goods imported from any country designated by the President and adjusted for price comparability.

EVIDENCE OF SUBSIDIZING

[74] In accordance with section 2 of SIMA, a subsidy exists where there is a financial contribution by a government of a country other than Canada that confers a benefit on persons engaged in the production, manufacture, growth, processing, purchase, distribution, transportation, sale, export or import of goods. A subsidy also exists in respect of any form of income or price support within the meaning of Article XVI of the *General Agreement on Tariffs and Trade*, 1994, being part of Annex 1A to the *World Trade Organization (WTO) Agreement*, that confers a benefit.

[75] Pursuant to subsection 2(1.6) of SIMA, a financial contribution exists where:

- a) practices of the government involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities;
- b) amounts that would otherwise be owing and due to the government are exempted or deducted or amounts that are owing and due to the government are forgiven or not collected;

- c) the government provides goods or services, other than general governmental infrastructure, or purchases goods; or
- d) the government permits or directs a non-governmental body to do any thing referred to in any of paragraphs (a) to (c) above where the right or obligation to do the thing is normally vested in the government and the manner in which the non-governmental body does the thing does not differ in a meaningful way from the manner in which the government would do it.

[76] If a subsidy is found to exist, it may be subject to countervailing measures if it is specific. A subsidy is considered to be specific when it is limited, in law or in fact, to a particular enterprise or is a prohibited subsidy. An "enterprise" is defined under SIMA as also including a "group of enterprises, an industry and a group of industries." Any subsidy which is contingent, in whole or in part, on export performance or on the use of goods that are produced or that originate in the country of export is considered to be a prohibited subsidy and is, therefore, specific according to subsection 2(7.2) of SIMA for the purposes of a subsidy investigation.

[77] A state-owned enterprise (SOE) may be considered to constitute "government" for the purposes of subsection 2(1.6) of SIMA if it possesses, exercises, or is vested with, governmental authority. Without limiting the generality of the foregoing, the CBSA may consider the following factors as indicative of whether the SOE meets this standard: 1) the SOE is granted or vested with authority by statute; 2) the SOE is performing a government function; 3) the SOE is meaningfully controlled by the government; or some combination thereof.

[78] In accordance with subsection 2(7.3) of SIMA, notwithstanding that a subsidy is not specific in law, a subsidy may also be considered specific in fact, having regard as to whether:

- a) there is exclusive use of the subsidy by a limited number of enterprises;
- b) there is predominant use of the subsidy by a particular enterprise;
- c) disproportionately large amounts of the subsidy are granted to a limited number of enterprises; and
- d) the manner in which discretion is exercised by the granting authority indicates that the subsidy is not generally available.

[79] For purposes of a subsidy investigation, the CBSA refers to a subsidy that has been found to be specific as an "actionable subsidy," meaning that it is countervailable.

[80] The complainant alleged that the exporters of the subject goods originating in China have benefited from actionable subsidies provided by various levels of the GOC, which may include the governments of the respective provinces in which the exporters are located, and the governments of the respective municipalities in which the exporters are located. In support of its allegations, the complainant relied primarily on the CBSA's *Statements of Reasons* for various investigations¹⁰ and a United States countervailing duty investigation on Galvanized Steel Wire¹¹.

¹⁰ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – pages 21-22 & Appendix 19

¹¹ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – page 22 & Appendix 18

[81] Due to the history and timeliness of CBSA countervailing investigations against Chinese steel products, the complainant relied largely on the information available from these cases in identifying programs they believe may be actionable under SIMA.

Programs Being Investigated

[82] In reviewing the information provided by the complainant and obtained by the CBSA through its own research, the CBSA has developed the following categories of programs and incentives that may be provided to manufacturers of the subject goods in China:

1. Special Economic Zones (SEZ) and other Designated Areas Incentives;
2. Preferential Loans and Loan Guarantees;
3. Grants;
4. Preferential Income Tax Programs;
5. Relief from Duties and Taxes on Materials and Machinery;
6. Reduction in Land Use Fees;
7. Goods/Services Provided by the Government at Less than Fair Market Value; and
8. Equity Programs.

[83] A full listing of all programs to be investigated by the CBSA may be found in **Appendix 1**. As explained in more detail therein, there is sufficient reason to believe that these programs may constitute actionable subsidies provided by the GOC and that the exporters and producers of the subject goods benefit from these programs.

[84] In the case of programs where an enterprise's eligibility or degree of benefit is contingent upon export performance or the use of goods that are produced or originate in the country of export, such programs may constitute prohibited subsidies under SIMA.

[85] For those programs where incentives are provided to enterprises operating in Special Economic Zones or Other Designated Areas, the CBSA considers that these may constitute actionable subsidies for the reason that eligibility is limited to enterprises operating in such regions or is limited to certain enterprises operating within those regions.

[86] As well, the CBSA is satisfied that there is sufficient evidence indicating that the exporters of subject goods may receive subsidies in the form of grants, preferential loans, relief from duties or taxes, and provision of goods and services, which provide a benefit and that are not generally granted to all companies in China.

[87] The CBSA will investigate whether exporters of subject goods received benefits under these programs and whether such programs constitute actionable subsidies.

Programs Not Being Investigated

[88] The following two grant programs, which were identified by the complainant and previously investigated by the CBSA, were found to not be relevant to the galvanized steel wire investigation as none of the exporters identified for this investigation are located in regions that would allow them to qualify for these subsidies.

- Grant – Jiangsu Province Finance Supporting Fund
- Environment Protection Award (Jiangsu)

[89] The above-mentioned programs will not be investigated by the CBSA unless sufficient information is provided to justify their investigation. In this respect, the CBSA may further examine location-specific subsidy programs in the event that such programs are found in the areas where the identified galvanized steel wire producers are located.

Conclusion

[90] Sufficient evidence is available to support the allegation that the subsidy programs outlined in **Appendix 1** are available to exporters and producers of the subject goods in China. In investigating these programs, the CBSA has requested information from the GOC, exporters and producers to determine whether exporters of subject goods received benefits under these programs and whether these programs are actionable subsidies and, therefore, countervailable under SIMA.

Estimated Amount of Subsidy

[91] The complainant stated that it was unable to determine the actual amounts of subsidy received by the Chinese exporters under each program. However, the complainant estimated the amounts of subsidy by calculating the difference between the estimated costs of production for subject goods in China to their corresponding export prices.

[92] For purposes of this initiation, the CBSA estimated the amount of subsidy conferred to exporters of the subject goods in China by calculating the difference between their cost of production, as estimated by the CBSA, and the selling prices reported in customs entry documents of subject goods sold to importers in Canada. Since the cited programs are believed to significantly lower the cost of production of the subject goods, this calculation is a reasonable estimate of the amount of subsidy

[93] The CBSA's analysis of the information indicates that subject goods imported into Canada during the period of January 1, 2011, to September 30, 2012, were subsidized and that the estimated amount of subsidy is 19.1% of the export price of the subject goods.

AMOUNT OF SUBSIDY AND VOLUME OF SUBSIDIZED GOODS

[94] Under section 35 of SIMA, if, at any time before the President makes a preliminary determination, the President is satisfied that the amount of subsidy on the goods of a country is insignificant or the actual and potential volume of subsidized goods of a country is negligible, the President must terminate the investigation with respect to the goods of that country. Under subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the export price of the goods is defined as insignificant and a volume of subsidized goods is considered negligible if it accounts for less than 3% of the total volume of goods that are released into Canada from all countries that are of the same description as the subsidized goods, the same threshold for the volume of dumped goods.

[95] However, according to section 41.2 of SIMA, the President is required to take into account Article 27.10 of the *WTO Agreement on Subsidies and Countervailing Measures* when conducting a subsidy investigation. This provision stipulates that a countervailing duty investigation involving a developing country should be terminated as soon as the authorities determine that the overall level of subsidies granted upon the product in question does not exceed 2% of its value calculated on a per unit basis or the volume of subsidized imports represents less than 4% of the total imports of the like product in the importing Member.

[96] SIMA does not define or provide any guidance regarding the determination of a “developing country” for purposes of Article 27.10 of the *WTO Agreement on Subsidies and Countervailing Measures*. As an administrative alternative, the CBSA refers to the *Development Assistance Committee List of Official Development Assistance Recipients* (DAC List of ODA Recipients) for guidance.¹² As China is included in the listing, the CBSA extends developing country status to China for purposes of this investigation.

[97] The CBSA used actual import data for all countries for the period of January 1, 2011 to September 30, 2012. On the basis of this information, the volume of subsidized goods as a percentage of the volume of total imports is estimated as follows:

Estimated Amount of Subsidy and Volume of Subsidized Goods

(January 1, 2011 to September 30, 2012)

Country	Percentage of Total Imports	Estimated Subsidized Goods as % of Total Imports	Estimated Amount of Subsidy as % of Export Price
China	26.3%	26.3%	19.1%

[98] The volume of subsidized goods, estimated to be 26.3% of total imports from all countries, is greater than the threshold of 4% and is therefore not considered negligible. The amount of subsidy, estimated to be 19.1% of the export price, is greater than the threshold of 2% and is therefore not considered insignificant.

¹² The Organization for Economic Co-operation and Development, DAC List of ODA Recipients from 2011 to 2013, the document is available at www.oecd.org/dac/aidstatistics/48858205.pdf

EVIDENCE OF INJURY

[99] The complainant alleged that the subject goods have been dumped and subsidized and that such dumping and subsidizing have caused or are threatening to cause material injury to the GSW industry in Canada.

[100] SIMA refers to material injury caused to the domestic producers of like goods in Canada. The CBSA has accepted that the GSW produced by the complainant are like goods to those imported from China, Israel and Spain.

[101] In support of its allegations, the complainant provided evidence of an increase in the volume of imports of the dumped and subsidized goods, loss of market share, loss of sales, price erosion, declining capacity utilization, reduction in employment and declining revenues, margins and profits.

Increased Volume of Dumped and Subsidized Imports

[102] The import volumes provided by the complainant along with the CBSA's own estimates are detailed in the "Canadian Market" section of this *Statement of Reasons*. This information shows a continuing trend of rising imports from China, which increased from 23.6% of total imports in 2009 to 29.5% in the 12-month period ending September 2012. The imports from Spain increased from 1.1% of total imports in 2009 to 7.5% in the 12 month period ending September 2012. Although volumes of GSW from Israel did see a drop between 2010 and 2011, they are rising once more and currently represent 4.1% of GSW imports. Overall, imports of subject goods have been increasing at a faster pace than imports from all other countries.

Loss of Market Share

[103] The CBSA's analysis of import trends show that imports of subject goods more than doubled since 2009. The complaint states that domestic merchant shipments are only marginally above sales levels in 2009, and a growing portion of the displacement of domestic market share is attributable to dumped and subsidized goods, indicating that Canadian producers have suffered a loss of market share.

Loss of Sales

[104] The complainant provided several internal reports and emails that illustrate lost sales on a customer-specific basis.¹³ These are examples of lost sales due to lower pricing from exporters of the allegedly dumped imports from China, Israel and Spain and to the allegedly subsidized imports from China. The complaint contains documentation that supports the link between Tree Island's lost sales to the allegedly dumped and subsidized subject goods.

¹³ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 20

[105] Furthermore, the complainant has lost the business of several major accounts. The complainant indicates these lost accounts are directly linked to low-priced imports of subject goods.¹⁴

Price Erosion

[106] The complainant states that the allegedly dumped and subsidized goods have been undercutting Canadian prices since 2009 and that the complainant's prices have been eroding as a result. The complaint contains evidence of price undercutting by subject goods.¹⁵ It also contains documented instances where prices were suppressed or where the complainant was forced to lower prices or lose sales in response to allegedly dumped and subsidized imports.

Declining Capacity Utilization

[107] The complainant provided confidential capacity utilization rates. The complainant submitted that it had to aggressively reduce prices, which led to an improved capacity utilisation in 2011. In the first half of 2012, the complainant's capacity utilization slightly declined which it attributed to aggressive pricing of the subject goods. The complainant has had one of the three coating lines closed throughout 2009 to 2012.¹⁶

Reduction in Employment

[108] The complainant stated that the decline in the sales in the Canadian market attributable to the allegedly dumped and subsidized subject goods has caused a decline in the level of direct and indirect employment. The complaint shows the number of direct and indirect employees between 2009 and 2011.¹⁷

Declining Revenues, Margins and Profits

[109] The complainant alleges that the lost sales and price erosion referred to above has translated into a decline in their financial performance. To demonstrate this, Tree Island provided income statements for production of GSW from 2009 to 2011 and YTD June 2012.¹⁸

[110] The CBSA's analysis of these income statements reveals shrinking gross and net margins and revenues, which the company attributes to the presence of dumped and subsidized imports on the Canadian market.¹⁹

¹⁴ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – pages 28-31

¹⁵ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 20

¹⁶ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – page 26 & 32

¹⁷ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 22

¹⁸ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 21

¹⁹ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – page 26

THREAT OF INJURY

[111] The complainant alleges that the rapid increase in the volume of dumped and subsidized subject goods at prices that undercut those of domestically produced like goods pose a threat of further injury to the Canadian industry. The complainant believes that the increase in imports of subject goods from China and Spain in 2011-2012 and the rise of imports of subject goods from Israel in 2012, indicates that these producers of GSW have an aggressive exporting agenda for Canada. The complainant believes that the trends indicate a likelihood that the volume of imports of subject goods will continue to increase in the near future.

[112] Import data from Statistics Canada shows that the average prices of subject goods are below the average prices of the goods from other import sources. The complaint provided overall average import prices of subject goods.²⁰ Average import prices in 2011 are similar to those in 2010 despite significant increases in the cost of steel wire rod, the major input material of GSW.²¹ The complainant states that this trend, combined with evidence of price undercutting, indicates a likelihood that subject goods will continue to enter the Canadian market at prices that will have a depressive effect on the prices of domestically produced like goods. Consequently, the complainant believes they will be forced to further lower their prices or lose additional market share, increasing the negative impact on their financial performance.

CAUSAL LINK – DUMPING/SUBSIDIZING AND INJURY

[113] The CBSA finds that the complainant has provided sufficient evidence that there is a reasonable indication that they have suffered injury due to the alleged dumping and subsidizing of subject goods imported into Canada. There is a reasonable indication that the injury the complainant has suffered in terms of loss of market share, loss of sales, price erosion, declining capacity utilization, reduction in employment and declining revenues, margins and profits is related to the price advantage the alleged dumping and subsidizing has produced between the imported subject goods and the Canadian produced goods.

[114] The CBSA also finds that the complainant has provided sufficient evidence that there is a reasonable indication that continued alleged dumping and subsidizing of subject goods imported into Canada threaten to cause injury to the Canadian industry producing these goods.

CONCLUSION

[115] Based on information provided in the complaint, other available information, and the CBSA's internal import documentation, the President is of the opinion that there is evidence that certain galvanized steel wire originating in or exported from China, Israel and Spain has been dumped and that certain galvanized steel wire originating in or exported from China has been subsidized, and there is a reasonable indication that such dumping and subsidizing has caused and is threatening to cause injury to the Canadian industry. As a result, based on the CBSA's examination of the evidence and its own analysis, dumping and subsidy investigations were initiated on January 21, 2013.

²⁰ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 12

²¹ Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – page 25

SCOPE OF THE INVESTIGATION

[116] The CBSA is conducting investigations to determine whether the subject goods have been dumped and/or subsidized.

[117] The CBSA has requested information from all potential exporters and importers to determine whether or not subject goods imported into Canada during the period of investigation of January 1, 2012 to December 31, 2012, were dumped. The information requested will be used to determine the normal values, export prices and margins of dumping, if any.

[118] The CBSA requested information from wire rod producers and producers and exporters of GSW in China, as well as the Government of China, to determine whether the conditions of section 20 exist in the sector under investigation. The CBSA has also requested costing and sales information from producers of GSW in multiple countries. Where sufficiently available, this information may be used to determine normal values of the goods in the event that the President of the CBSA forms an opinion that the evidence in this investigation demonstrates that section 20 conditions apply in the wire rod sector, which includes GSW, in China.

[119] The CBSA has also requested information from the Government of China and all potential Chinese exporters to determine whether or not subject goods imported into Canada during the period of investigation of January 1, 2011 to December 31, 2012, were subsidized. The information requested will be used to determine the amounts of subsidy.

[120] All parties have been clearly advised of the CBSA's information requirements and the time frames for providing their responses.

FUTURE ACTION

[121] The Canadian International Trade Tribunal (Tribunal) will conduct a preliminary inquiry to determine whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of the goods has caused or is threatening to cause injury to the Canadian industry. The Tribunal must make its decision on or before the 60th day after the date of the initiation of the investigations. If the Tribunal concludes that the evidence does not disclose a reasonable indication of injury to the Canadian industry, the investigations will be terminated.

[122] If the Tribunal finds that the evidence discloses a reasonable indication of injury to the Canadian industry and the CBSA investigations preliminarily reveal that the goods have been dumped and/or subsidized, the CBSA will make a preliminary determination(s) of dumping and/or subsidizing within 90 days after the date of the initiation of the investigations, by April 22, 2013. Where circumstances warrant, this period may be extended to 135 days from the date of the initiation of the investigations.

[123] If, in respect of a named country, the CBSA investigation(s) reveal that imports of the subject goods have not been dumped and/or subsidized, that the margin of dumping and/or amount of subsidy is insignificant or that the actual and potential volume of dumped or subsidized goods is negligible, the investigation(s) will be terminated.

[124] Imports of subject goods released by the CBSA on and after the date of a preliminary determination of dumping and/or subsidizing may be subject to provisional duty in an amount not greater than the estimated margin of dumping or the estimated amount of subsidy on the imported goods.

[125] Should the CBSA make preliminary determinations of dumping and/or subsidizing, the investigations will be continued for the purpose of making final determinations within 90 days after the date of the preliminary determinations.

[126] If final determinations of dumping and/or subsidizing are made, the Tribunal will continue its inquiry and hold public hearings into the question of material injury to the Canadian industry. The Tribunal is required to make a finding with respect to the goods to which the final determinations of dumping and/or subsidizing apply, not later than 120 days after the CBSA's preliminary determinations.

[127] In the event of an injury finding by the Tribunal, imports of subject goods released by the CBSA after that date will be subject to anti-dumping duty equal to the applicable margin of dumping and countervailing duty equal to the amount of subsidy on the imported goods. Should both anti-dumping and countervailing duties be applicable to subject goods, the amount of any anti-dumping duty may be reduced by the amount that is attributable to an export subsidy.

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

[128] When the Tribunal conducts an inquiry concerning injury to the Canadian industry, it may consider if dumped and/or subsidized goods that were imported close to or after the initiation of an investigation constitute massive importations over a relatively short period of time and have caused injury to the Canadian industry.

[129] Should the Tribunal issue such a finding, anti-dumping and countervailing duties may be imposed retroactively on subject goods imported into Canada and released by the CBSA during the period of 90 days preceding the day of the CBSA making a preliminary determination of dumping and/or subsidizing.

[130] In respect of importations of subsidized goods that have caused injury, however, this provision is only applicable where the CBSA has determined that the whole or any part of the subsidy on the goods is a prohibited subsidy, as explained in the previous "Evidence of Subsidizing" section. In such a case, the amount of countervailing duty applied on a retroactive basis will be equal to the amount of subsidy on the goods that is a prohibited subsidy.

UNDERTAKINGS

[131] After a preliminary determination of dumping by the CBSA, an exporter may submit a written undertaking to revise selling prices to Canada so that the margin of dumping or the injury caused by the dumping is eliminated. An acceptable undertaking must account for all or substantially all of the exports to Canada of the dumped goods.

[132] Similarly, after a preliminary determination of subsidizing by the CBSA, a foreign government may submit a written undertaking to eliminate the subsidy on the goods exported or to eliminate the injurious effect of the subsidy, by limiting the amount of the subsidy or the quantity of goods exported to Canada. Alternatively, exporters with the written consent of their government may undertake to revise their selling prices so that the amount of the subsidy or the injurious effect of the subsidy is eliminated.

[133] Interested parties may provide comments regarding the acceptability of undertakings within nine days of the receipt of an undertaking by the CBSA. The CBSA will maintain a list of parties who wish to be notified should an undertaking proposal be received. Those who are interested in being notified should provide their name, telephone and fax numbers, mailing address and e-mail address to one of the officers identified in the “Information” section of this document.

[134] If an undertaking were to be accepted, the investigations and the collection of provisional duty would be suspended. Notwithstanding the acceptance of an undertaking, an exporter may request that the CBSA’s investigations be completed and that the Tribunal complete its injury inquiry.

PUBLICATION

[135] Notice of the initiation of these investigations is being published in the Canada Gazette pursuant to subparagraph 34(1)(a)(ii) of SIMA.

INFORMATION

[136] Interested parties are invited to file written submissions presenting facts, arguments, and evidence that they feel are relevant to the alleged dumping and subsidizing. Written submissions should be forwarded to the attention of one of the officers identified below.

[137] To be given consideration in this phase of these investigations, all information should be received by the CBSA by February 27, 2013.

[138] Any information submitted to the CBSA by interested parties concerning these investigations is considered to be public information unless clearly marked “confidential.” Where the submission by an interested party is confidential, a non-confidential version of the submission must be provided at the same time. This non-confidential version will be made available to other interested parties upon request.

[139] Confidential information submitted to the President will be disclosed on written request to independent counsel for parties to these proceedings, subject to conditions to protect the confidentiality of the information. Confidential information may also be released to the Tribunal, any court in Canada, or a WTO/NAFTA dispute settlement panel. Additional information respecting the Directorate’s policy on the disclosure of information under SIMA may be obtained by contacting one of the officers identified below or by visiting the CBSA’s Web site.

[140] The investigation schedules and a complete listing of all exhibits and information are available at <http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/menu-eng.html>. The exhibits listing will be updated as new exhibits and information are made available.

[141] This *Statement of Reasons* has been provided to persons directly interested in these proceedings. It is also posted on the CBSA's Web site at the address below. For further information, please contact the officers identified as follows:

Mail: SIMA Registry and Disclosure Unit
Anti-dumping and Countervailing Directorate
Canada Border Services Agency
100 Metcalfe Street, 11th floor
Ottawa, Ontario K1A 0L8
Canada

Telephone: Hugh Marcil 613-954-7268
Walid Ben Tamarzizt 613-954-7341

Fax: 613-948-4844

E-mail: simaregistry@cbsa-asfc.gc.ca

Web site: www.cbsa-asfc.gc.ca/sima-lmsi



Caterina Ardito-Toffolo
Acting Director General
Anti-dumping and Countervailing Directorate

APPENDIX 1 - DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES

Evidence provided by the complainant suggests that the Government of China may have provided support to manufacturers of subject goods in the following manner. For purposes of this investigation, Government of China (GOC) refers to all levels of government, i.e. federal, central, provincial/state, regional, municipal, city, township, village, local, legislative, administrative or judicial. Benefits provided by state-owned enterprises, which possess, exercise or have been vested with governmental authority may also be considered to be provided by the GOC for purposes of this investigation.

I. Special Economic Zones (SEZ) and other Designated Areas Incentives

- Program 1: Preferential Tax Policies for Enterprises with Foreign Investment (FIEs) Established in Special Economic Zones (SEZs) (excluding Shanghai Pudong Area)
- Program 2: Preferential Tax Policies for FIEs Established in the Coastal Economic Open Areas and in the Economic and Technological Development Zones
- Program 3: Preferential Tax Policies for FIEs Established in the Pudong Area of Shanghai
- Program 4: Preferential Tax Policies in the Western Regions
- Program 5: Corporate Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 6: Local Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 7: Exemption/Reduction of Special Land Tax and Land Use Fees in SEZs and Other Designated Areas
- Program 8: Tariff and Value-added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZs and other Designated Areas
- Program 9: Income Tax Refunds where Profits are Re-invested in SEZs and other Designated Areas
- Program 10: Preferential Costs of Services and/or Goods Provided by Government or State-owned Enterprises (SOEs) in SEZs and Other Designated Areas
- Program 11: VAT Exemptions for the Central Region
- Program 12: Income Tax Refund for Enterprises Located in Tianjin Jinnan Economic Development Area

II. Preferential Loans and Loan Guarantees

- Program 13: Loans and Interest Subsidies Provided Under the Northeast Revitalization Program
- Program 14: Export Seller's Credit for High- and New-Technology Products by China EMIX Bank
- Program 15: Preferential Loan for the National/Provincial key Science & Technology Industrialization Projects, High Technology Industrialization Projects, Science & Technology Achievements Commercialization Projects, Modern Equipment Manufacturing Industry and key Information Technology Industrialization Projects by Liaoning Governments

III. Grants

- Program 16: Government Export Subsidy and Product Innovation Subsidy
- Program 17: Export Assistance Grant
- Program 18: Research & Development (R&D) Assistance Grant
- Program 19: Innovative Experimental Enterprise Grant
- Program 20: Superstar Enterprise Grant
- Program 21: Awards to Enterprises Whose Products Qualify for "Well-Known Trademarks of China" or "Famous Brands of China"
- Program 22: Export Brand Development Fund
- Program 23: Provincial Scientific Development Plan Fund
- Program 24: Technical Renovation Loan Interest Discount Fund
- Program 25: Venture Investment Fund of Hi-Tech Industry
- Program 26: National Innovation Fund for Technology Based Firms
- Program 27: Guangdong - Hong Kong Technology Cooperation Funding Scheme
- Program 28: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
- Program 29: Innovative Small and Medium-Sized Enterprise Grants
- Program 30: Product Quality Grant
- Program 31: 2009 Energy-saving Fund
- Program 32: Energy-Saving Technique Special Fund
- Program 33: Grants to Privately-Owned Export Enterprises
- Program 34: Grants for Export Activities
- Program 35: Grants for International Certification
- Program 36: Emission Reduction and Energy-saving Award
- Program 37: Grant for Market Promotion and Trade Development
- Program 38: Refund of Land Transfer Fee
- Program 39: Grant - Assistance for Exhibition Booth Fees
- Program 40: Grant - Patent Application Assistance
- Program 41: Grant - State Service Industry Development Fund
- Program 42: Grant - Ecological Garden Enterprise Reward
- Program 43: Grant - Municipal Construction Reward
- Program 44: Grant - Cleaning-production Qualified Enterprise Reward
- Program 45: Grant - Provisional Industry Promotion Special Fund
- Program 46: Grant - Financial Subsidies from Wei Hai City Gao Cun Town Government
- Program 47: Grant - Water Pollution Control Special Fund for Taihu Lake
- Program 48: Grant - Provincial Foreign Economy and Trade Development Special Fund
- Program 49: Grant - Subsidy from Water Saving Office
- Program 50: Grant - Insurance Expense Compensation
- Program 51: Grant - Industrial Science and Technology Breakthrough Special Fund
- Program 52: Grant - Special Supporting Fund for Commercialization of Technological Innovation and Research Findings
- Program 53: Grant - Policy on Value-added Tax for Recyclable Resources
- Program 54: Grant - Large Taxpayer Award
- Program 55: Grant - Resources Conservation and Environment Protection Grant
- Program 56: Grant – Wendeng Government (Shandong)
- Program 57: Enterprise Technology Centers

- Program 58: Allowance to Pay Loan Interest
- Program 59: Supporting fund for non-refundable export tax loss
- Program 60: International market fund for export companies
- Program 61: International market fund for small and medium sized export companies
- Program 62: Business Development Overseas Support Fund
- Program 63: Refund from Government for Participating in Trade Fair
- Program 64: Grant - Special Fund for Fostering Stable Growth of Foreign Trade
- Program 65: The State Key Technology Renovation Projects
- Program 66: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments
- Program 67: Financial Special Fund for Supporting High and New Technology Industry Development Project
- Program 68: Subsidy for Promoting Energy-saving Buildings
- Program 69: Special Fund for the Key Projects in the Cultural Innovation Industry by Shunyi District Local Government
- Program 70: Special Fund for the Technology Innovation by Niu Lan Shan Township Local Government
- Program 71: Subsidy for the Technology Development
- Program 72: Awards for the Contributions to Local Economy and Industry Development
- Program 73: Beijing Industrial Development Fund
- Program 74: Grants, Loans, and Other Incentives for Development of Famous Brands, China Top World Brands or other well-known Brands
- Program 75: Shunde Famous Brands
- Program 76: Guangdong Supporting Fund
- Program 77: Zhabei District "Save Energy Reduce Emission Team" Award
- Program 78: State Special Fund for Promoting Key Industries and Innovation Technologies
- Program 79: Fund for SME (small and medium size enterprises) Bank-Enterprise Cooperation Projects by Guangdong Governments
- Program 80: Special Fund for Significant Science and Technology by Guangdong Governments
- Program 81: Loan From Local Finance Bureau
- Program 82: Provincial Fund for Fiscal and Technological Innovation by Guangdong Governments
- Program 83: Provincial Loan Discount Special Fund for SMEs by Guangdong Governments
- Program 84: "Large and Excellent" Enterprises Grant
- Program 85: Advanced Science/Technology Enterprise Grant
- Program 86: Award for Excellent Enterprise
- Program 87: Export Award
- Program 88: Nanhai District Grants to State and Provincial Enterprise Technology Centers and Engineering Technology R&D Centers
- Program 89: Foreign Trade Promotion Award
- Program 90: Financial Assistance for an Overseas Market Survey
- Program 91: International Market Development (Tianjin Treasure Bureau & Beijing Municipal Commission of Commerce)
- Program 92: Special Supporting Fund and Special Loan Assistance by Chinese Ministry of Science & Technology for revitalizing the Northeast old industrial base

- Program 93: Special Supporting Fund for Key Projects of “500 Strong Enterprises in Contemporary Industries” by Guangdong Governments
- Program 94: Fund for Supporting Strategic Emerging Industries by Guangdong Governments
- Program 95: Medium Size and Small Size Enterprises Development Special Fund
- Program 96: Medium Size and Small Size Trading Enterprises Development Special Fund
- Program 97: Special Fund for Export Credit Insurance by Guangdong Governments
- Program 98: Industrial Development Supporting Fund to Key Projects by Shunyi District Local Governments
- Program 99: Supporting Fund for Converting the Industry Technology Achievements/Findings by Beijing Governments
- Program 100: Special Development Fund for Beijing Cultural Innovation Industry
- Program 101: Supporting Fund for Becoming Publicly Listed Company
- Program 102: Supporting Fund for Constructing Energy-saving Projects by Niu Lan Shan Township Local Governments
- Program 103: Supporting Fund for the “Working Capital” Loan Interest
- Program 104: Supporting Fund for “Information-Technology Application” Demonstration Enterprises by Niu Lan Shan Township Local Governments
- Program 105: Supporting Fund for the Lab by Niu Lan Shan Township Local Governments
- Program 106: Brand Development Fund by Shunyi District Local Governments
- Program 107: Supporting Fund to Encourage Outwards Development by Niu Lan Shan Township Local Governments
- Program 108: Supporting Fund for the Investments on Key Projects by Niu Lan Shan Township Local Governments
- Program 109: Award by Niu Lan Shan Township Local Governments
- Program 110: Award for Maintaining the Growth by Beijing Governments
- Program 111: Award by Beijing Technology Trading Encouraging Centre
- Program 112: Award by Shunyi District Science and Technology Committee
- Program 113: Award by Shanghai Songjiang Economic Committee
- Program 114: Supporting Fund for Science and Technology Expenses by Zengcheng Local Governments
- Program 115: Supporting Fund for the Development from Guangzhou Local Governments
- Program 116: Fund for Optimizing Import and Export Structure of Mechanical Electronics and High and New Technology Products
- Program 117: Special Fund for Pollution Control of Three Rivers, Three Lakes, and the Songhua River
- Program 118: Repaying Foreign Currency Loan by Returned VAT

IV. Preferential Income Tax Programs

- Program 119: Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period Not Less Than 10 Years
- Program 120: Tax Preference Available to Companies that Operate at a Small Profit.
- Program 121: Preferential Tax Policies for Foreign Invested Export Enterprises
- Program 122: Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive
- Program 123: Preferential Tax Policies for the Research and Development of FIEs

- Program 124: Preferential Tax Policies for FIEs and Foreign Enterprises Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment
- Program 125: Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose
- Program 126: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors
- Program 127: VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to-Equity Swaps
- Program 128: Corporate Income Tax Reduction for New High-Technology Enterprises
- Program 129: Income Tax Credits on Purchases of Domestically Produced Equipment
- Program 130: Preferential Tax Programs for Encouraged Industries or Projects
- Program 131: Exemption from City Maintenance and Construction Taxes and Education Fee Surcharges for FIEs
- Program 132: Preferential Tax Program for FIEs Recognized as HNTes (High and New Technology Enterprises)
- Program 133: Tax Offset for R&D Expenses in Guangdong Province
- Program 134: Accelerated Depreciation on Fixed Assets
- Program 135: Accelerated Depreciation on Intangible Assets for Industrial Enterprises in Northeast Region

V. Relief from Duties and Taxes on Materials and Machinery

- Program 136: Exemption of Tariff and Import VAT for the Imported Technologies and Equipment
- Program 137: Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs

VI. Reduction in Land Use Fees

- Program 138: Reduction in Land Use Fees, Land Rental Rates and Land Purchase Prices
- Program 139: Deed Tax Exemptions for Land Transferred through Merger or Restructuring

VII. Goods/Services Provided by the Government at Less than Fair Market Value

- Program 140: Raw Materials Provided by the Government at Less than Fair Market Value
- Program 141: Utilities Provided by the Government at Less than Fair Market Value
- Program 142: Acquisition of Government Assets at Less than Fair Market Value

VIII. Equity Programs

- Program 143: Debt to Equity Swaps
- Program 144: Exemptions for SOEs from Distributing Dividends to the State

Determinations of Subsidy and Specificity

Available information indicates that the programs identified under: *SEZ and Other Designated Areas Incentives*; *Preferential Loans and Loan Guarantees*; *Preferential Income Tax Programs*; *Relief from Duties and Taxes on Materials and Machinery*; and *Reduction in Land Use Fees*, may constitute a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption.

Grants and Equity Programs may constitute a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in that they involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities; and pursuant to paragraph 2(1.6)(b) of SIMA as amounts owing and due to the government that are forgiven or not collected.

Goods/Services Provided by Government at Less than Fair Market Value may constitute a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA as they involve the provision of goods or services, other than general governmental infrastructure.

Benefits provided to certain types of enterprises or limited to enterprises located in certain areas under program categories: *SEZ and Other Designated Areas Incentives*; *Preferential Loans and Loan Guarantees*; *Preferential Income Tax Programs*; *Relief from Duties and Taxes on Materials and Machinery*; and *Reduction in Land Use Fees*, may be considered specific pursuant to paragraph 2(7.2)(a) of SIMA.

As well, *Grants, Equity Programs* and *Goods/Services Provided by Government at Less than Fair Market Value* may be considered specific pursuant to subsection 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.